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USSR

The USSR is expanding purchases in the West as a result of the sharp rise in its hard currency earnings. Contracts for Western plants and equipment placed so far this year are already at a record \$3 billion and will go higher by year's end. Reports from Moscow, for example, indicate that, during recent negotiations, Soviet buyers have revised upward their original requests for US equipment.

In recent weeks Moscow has also placed orders for \$900 million worth of corn and wheat and \$200 million worth of raw sugar. A second major sugar purchase, valued at over \$300 million, reportedly is being negotiated.

The Soviets will pay cash for most of their agricultural purchases and for roughly \$150 million in Western equipment. Moscow probably would not have bought such sizable amounts of grain, sugar, and beef products if--as in the past--the purchases required heavy borrowing. Soviet agricultural output promises to be good this year, and recent purchases seem geared to improving, rather than just maintaining, domestic conditions. The \$100-million cash purchase of tractors from International Harvester, on the other hand, resulted from the Soviet desire and ability to avoid the high interest rates prevailing in the West.

The USSR should have little trouble in obtaining the hard currency required to meet their contractual obligations. The Soviets are expected to have substantial trade surpluses in 1974 and in 1975 as a result of the rapid rise in world market prices for their major raw material exports.

Gold sales are another major source of hard currency. While only \$300 million in Soviet gold is known to have been sold this year, large additional sales are rumored to have been made in late October. At current prices, Soviet gold sales from current production alone could exceed \$1 billion this year and even more next year.

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AUSTRIA

Chancellor Bruno Kreisky will focus his discussions with President Ford this Tuesday and Wednesday on economic and energy problems and the emigration of Soviet Jews through Austria.

Kreisky will solicit US views on Austria's expanding trade relations with South Africa, South Korea, China, and North Vietnam. Considerable trade is already conducted by Austria's nationalized steel firms with South Africa, and Kreisky reportedly will seek assurance that the US will continue to block South Africa's expulsion from the UN.

The Chancellor is also seeking US views on the impact of several recent energy decisions on Austrian neutrality. Austria joined the International Energy Agency of the OECD yesterday, and has also arranged for electrical power deliveries from Poland. Although Kreisky does not intend to raise the issue, he is prepared to discuss Austria's recent natural gas deals with Algeria and the Soviet Union. He does intend, however, to explore the establishment of an "institutionalized dialogue" between oil-producing and consuming countries with the aim of keeping oil out of the Arab-Israeli conflict.

Kreisky is interested in learning more about the US-Soviet agreement on the emigration of Soviet citizens. The Austrians for several years have provided a transit facility near Vienna for Soviet emigrees, mainly Jews, at considerable cost and risk of Arab terrorist attack. He may wish to discuss ways in which the burdens of processing these emigrees can be shared by other West European countries.

The Chancellor may also make a personal request to President Ford for support of Austria's motion at the UN to declare Vienna that organization's third headquarters city, in addition to New York and Geneva. The Socialists in Vienna have pinned their prestige on a billion-dollar development site along the Danube, in the hope of attracting additional UN activities to the city.

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JAPAN

The US embassy in Tokyo reports that the atmosphere surrounding President Ford's visit--scheduled to begin on November 18--is improving. There is no prevailing mood against the trip, and opposition forces are trimming their activities accordingly. One opposition party recently decided against participating in a campaign against the visit, and others are still unable to agree on a unified effort.

The major groups now opposing the visit--the Communist and Socialist parties and Japan's largest labor federation--are still committed to holding demonstrations, but they are emphasizing their orderly, nonviolent character. In an effort to avoid a sense of confrontation, their major rallies in Tokyo are scheduled for days the President will not be there. The first will occur on November 17, the day before his arrival; the second will be on November 21, while he is in Kyoto.

The press has so far refrained from editorial comment on the visit. The embassy has been told, however, that editorials supporting the visit and reminding the Japanese of obligatory good manners are likely to appear soon.

In short, the embassy sees a consensus developing among political groups, the press, and the public at large that a courteous reception is in order, and that untoward incidents would harm Japan's image. The embassy believes, therefore, that the visit will be a success, despite the scheduled demonstrations and the possibility that radical youth groups may try to cause problems.

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NORTH KOREA

A speech yesterday by North Korean Foreign Minister Ho Tam appears to signal some softening of Pyongyang's views on the role of the US and the UN armistice commission in Korea.

Although he covers some well-worn ground, including denunciations of the Pak government and President Ford's coming trip to Seoul, much of Ho's speech is serious in tone. Portions of the speech regarding the North's negotiating position may be used in the coming debate on the Korean issue at the UN.

On the question of US troop withdrawals, Ho states that the US "should not keep its troops in South Korea indefinitely." This formulation is considerably softer than Pyongyang's recent demands that the US leave "forthwith" or at the "earliest possible date."

More important, Ho's discussion of security arrangements that could replace the UN armistice commission is more forthcoming and specific than anything seen in recent North Korean statements. The foreign minister states that, after US troop withdrawals, a bilateral North-South commission could assume the "obligation to fulfill the main provisions of the Korean armistice agreement."

Ho Tam's speech may reflect a recognition by Pyongyang that it is not likely to succeed in any voting confrontation on the Korean question at the UN later this month. It may indicate the North Koreans are willing to be more flexible in reaching a settlement of the Korean issue at the UN that would provide for some machinery to replace the UN armistice commission. [REDACTED]

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SOUTH VIETNAM

Saigon has called on the Communists to drop their preconditions for resuming political and military discussions in a move to place the onus for the present lack of movement in negotiations on Hanoi. There has as yet been no Communist response to the offer.

The South Vietnamese initiative, which was announced by the Foreign Ministry yesterday, is, in effect, Saigon's response to a Viet Cong statement of October 8 that called for the removal of President Thieu before negotiations could be resumed and the Paris Agreement implemented.

The timing of the South Vietnamese announcement also appears connected with Thieu's current efforts to counteract the charges of his political opposition. Thieu may hope that his negotiating initiative, together with his recent cabinet shakeup and actions against corruption, will undercut efforts by the opposition in the months ahead to attract wider political support.

Political talks between the two sides were suspended by the South Vietnamese in April following the North Vietnamese capture of a ranger outpost north of Saigon. At that time, the government sharply curtailed the privileges of the Viet Cong and North Vietnamese military delegations in Saigon, which in turn led to a Communist walkout from the Saigon military talks. Military discussions were resumed by the two sides in June, following the government's restoration of privileges to the Communist delegations, but they were quickly broken off again by the Communists.

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PORTUGAL

Leaders of the Social Democratic Center Party are somewhat reassured by the provisional government's condemnation of leftists for their role in the recent pillaging of the party's headquarters.

The party has profited from the publicity generated by the incident and subsequent government statements condemning extremist actions. As the only declared conservative force in Portugal, the Social Democratic Center had threatened to disband on grounds that an election with only left-wing participants would be a sham.

In a meeting with Prime Minister Goncalves earlier this week, Goncalves agreed to grant party leaders prime television time to explain the party's program and its objectives. A lower ranking member of the government promised that those responsible for sacking the headquarters would be arrested. Leaders of the Socialist, Communist, and Popular Democratic parties also presented short statements deploring violence.

Although party leaders are somewhat reassured by the government's response, a number of unanswered questions remain. Several arrests have already been made, but Goncalves has avoided the question of who will pay the estimated \$120,000 in damages.

There is considerable speculation about why the Continental Operations Command, which is charged with maintaining internal order, did not protect the Social Democratic Center Party's property and whether this failure was deliberate. The government's sincerity about fostering an atmosphere in which all parties will be free to contest the election next March will be tested by the actions it takes in coming weeks. [REDACTED]

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NORWAY

The proposed national budget for 1975 represents a significant change because substantial income tax reductions will result in the government's taking a lower share of the gross national product. Of the total budget, some 10 percent--or \$797 million--is proposed for defense, up 18 percent over last year in terms of dollars. Because of increased wages and higher fuel costs, however, it will be an increase in real terms of only 1 percent. This falls considerably short of an earlier projected military growth rate of 2.25 percent for the period through 1978.

Approximately 15 percent of the defense budget is directed at procurement, particularly air defense materiel, ground force equipment, and ships. The budget also provides for the continued study of new fighter aircraft to replace the F-104, although actual replacement will require additional funding. Similarly, the budget allows for the purchase of the controversial French Crotale low-altitude surface-to-air missile system. A decision may come soon, but probably not until completion of the US evaluation of various all-weather, short-range air defense systems, including the Crotale, in January 1975.

Most of this year's increase is allocated to higher wages and the increase in oil costs. Bleak military service in the isolated north must compete with attractive job offers in the south. By raising salaries, the Norwegians are seeking to reduce critical shortages of skilled personnel in the armed forces. In a country noted for full employment, the competition for skilled personnel in the industrial sector, especially the growing oil industry, has aggravated efforts to retain skilled military specialists, such as aircraft crews, ships' officers, and maintenance personnel.

Norway is following the trend of most European countries in that attention in fiscal matters now focuses on domestic problems. Future defense budgets will permit little more than the maintenance of current combat capabilities.

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PAKISTAN

Repairs on Pakistan's Tarbela Dam are likely to be made in time to irrigate the 1975-76 winter wheat crop. Structural failures on the \$1-billion project appeared during the initial filling in August.

Tarbela water was originally expected to benefit this year's crop, but the reservoir was drained in order to save the threatened dam. Because of the loss of irrigation water, Pakistan will have to forego plans for increased wheat production this year.

The dam itself, the world's largest earth-filled dam with more than triple the mass of Egypt's Aswan, withstood the emergency drainage without damage. Structural defects centered on the irrigation and hydroelectric tunnels and their gates. The collapse of one tunnel caused the erosion of half a million cubic yards of overlying fill.

Complete estimates of the cost of repairs will not be available until the tunnels have been cleared for detailed inspection, probably in about two weeks. Pakistan is seeking supplementary contributions and accelerated payment of funds already pledged from the financiers of the project. The US is a major backer, and US engineering firms have been involved in design work and as general consultants. Lloyd's of London has insured the project for \$100 million, but a protracted settlement of claims is likely.

The addition of Tarbela waters to the country's already extensive irrigation system will eventually make the nation self-sufficient in foodgrain production.

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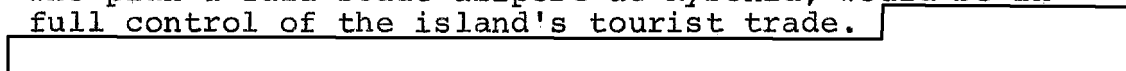
CYPRUS-UK-USSR

London and Moscow are both anxious to give aid to the Greek Cypriot - controlled Cyprus Airways which would enable it to continue operations. Since the Turkish military has so far refused to reopen the Nicosia airport, Cyprus Airways has been left without a base of operations and must develop alternative landing facilities.

Last month, Moscow offered to supply planes, cheap fuel and lubricants, and other aid needed to establish another international airport, perhaps at Larnaca. The British, in an effort to undercut any Soviet-Cypriot cooperation, have countered with an offer of aircraft. British officials hope that because the Soviet YAK-40 aircraft is not certified for airworthiness in many countries on Cyprus Airways' routes, the Greek Cypriots will be forced to accept the larger, longer range Viscounts. The Greek Cypriots would probably prefer to accept the British offer for political reasons, but they may continue to use Moscow's offer of aid to pressure the British and the US to assist in opening the Nicosia airport.

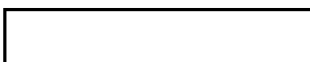
The lack of suitable air facilities would hamper recovery of the Greek Cypriot economy and ensure another bleak tourist season next spring. The Turkish Cypriots, who plan a full-scale airport at Kyrenia, would be in full control of the island's tourist trade.

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USSR

The Soviets are probably trying to rapidly deploy their newest short-range, low-altitude tactical surface-to-air missile system. The SA-8 mobile SAM will provide further redundancy to an already comprehensive missile defense for field units and compound the problems of neutralization.

The Soviets currently have three fully deployed SAM systems designed to move with their combat divisions--the SA-6, SA-7 (original and MOD-1), and SA-9. All systems are self-propelled, except for the SA-7 which is man-transportable. Soviet divisions now have a SAM defense from 50 to 30,000 feet in altitude.

The assessed characteristics of these systems,

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<u>SYSTEM</u>	<u>MAX RG</u> (NM)	<u>MIN ALT</u> (FT)	<u>MAX ALT</u> (FT)	<u>GUIDANCE</u>
SA-6	12	100	30,000	Semiactive homing
SA-7	2	50	10,000	Infrared homing
SA-7 MOD-1	3	50	15,000	Infrared homing
SA-8	6	150	20,000	Radar
SA-9	4	50	15,000	Infrared homing

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FOR THE RECORD

25X1 USSR: The traditional parade in Red Square on November 7 featured no new weaponry. The usual assortment of armored vehicles, artillery, and missiles was shown, including the two SS-11 canisters that were seen for the first time last year. The hand-held SA-7 surface-to-air missile was also displayed. This is the first time the Soviets have shown this weapon publicly, although it has been operational since 1967. It was used extensively in Vietnam and is now in the inventory of many Warsaw Pact and Third World forces. The new Soviet medium tank did not appear. A planned civilian march past the reviewing stand was canceled because of inclement weather.

25X1 Ethiopia: The Armed Forces Coordinating Committee is attempting to end mutinies by two infantry battalions in the Ogaden region of eastern Ethiopia. The mutinies stem from grievances over pay, allowances, and living conditions; one of the battalions wants to be transferred out of the hot Ogaden lowlands.

25X1 Kuwait-Bangladesh: Kuwait is using some of its large foreign exchange reserves to increase financial assistance to South Asian countries. Last month, Kuwait provided Bangladesh with a \$20-million loan at 6 percent interest to help ease Dacca's foreign exchange shortage; a similar loan was recently made to Sri Lanka. Except for Iraq, no other Arab state has provided significant economic aid to Bangladesh, other than flood relief last summer. Kuwait presumably would like to gain some credit internationally for aiding an indigent Moslem country.

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